GENERAL AGREEMENT ON TARIFFS AND TRADE

Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

EIGHTEENTH MEETING

Report

Chairman: Mr. José Ramón Prieto

1. The International Meat Council (IMC) held its eighteenth meeting on 16 June 1988. It was informed that no new country had signed the Arrangement since its last meeting. Signatories therefore remained at twenty-seven, representing thirty-eight countries. The IMC adopted the agenda set out in GATT/AIR/2605.

Election of Chairman and Vice-Chairman

2. In accordance with Rule 2 of the Rules of Procedure, the IMC shall elect a Chairman and a Vice-Chairman at its first regular meeting of the year, i.e. normally in June. The election shall take immediate effect. The IMC elected Mr. José Ramón Prieto (Spain) as Chairman and Mr. Joao Pedro Costa (Brazil) as Vice-Chairman.

Examination of the functioning of the Arrangement

3. The main point under this agenda item was the implications of the implementation of the new commodity description and coding system (Harmonized System) (document IMC/W/64). The Chairman indicated that since 1 January 1988, fourteen participants were already applying the Harmonized System (Australia, Austria, Canada, the European Communities, Finland, Japan, Nigeria, New Zealand, Norway, South Africa, Sweden, Switzerland, Tunisia and Yugoslavia), while others planned to do so in the near future. Taking into account the fact that some changes were introduced in the description and coding of products covered by the Arrangement, he indicated that the Arrangement should be modified accordingly, in particular its Article II regarding the product coverage. Noting that the two possible solutions to modify the Arrangement were clearly defined in document IMC/W/64, he added that according to the secretariat office of legal affairs, and in accordance with Article V:3, the Council was entitled to modify the commodity description and coding, an operation of pure form.

4. Mr. Prieto noted that the HS position 0210.20, which replaced the CCCN position ex 02.06, now included "edible flours and meals of meat or meat offal" which were not covered by the Arrangement, the same thing happening with position 1602.50, which replaced the CCCN position ex 16.02, and included "blood" which was not covered by the Arrangement. The Chairman proposed two alternatives to solve the problem. As a result of these two alternatives, the draft decision proposed by the secretariat in Annex IV of IMC/W/64, would read:

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*First Alternative*

(f) Meat and edible meat offal, salted, in brine, dried or smoked, of bovine animals........ex 0210.20.

(g) Other prepared or preserved meat and meat offal of bovine animals........ex 1602.50.

or,

Second Alternative

(f) Meat and edible meat offal, salted, in brine, dried or smoked, [edible flours and meals of meat or meat offal,] of bovine animals.....ex 0201.20.

(g) Other prepared or preserved meat and meat offal [or blood] of bovine animals........ex 1602.50.

Mr. Prieto informed the IMC that both alternatives had been submitted to the office of legal affairs, which considered them both acceptable from the legal point of view. Furthermore, he indicated that the problem presented no urgency and that discussions on the subject could continue in the next IMC meeting.

5. One participant noted that the presentation of positions HS 0210.20 and HS 1602.50 in document IMC/W/64 did not have the same meaning as their presentation in Annex II and/or Annex IV. The secretariat indicated that the objective of the second alternative was one of pure "historical" reasons (keeping the products not covered by the Arrangement in square brackets with a foot-note would allow everybody, in the future, to immediately understand what the "ex" meant and what products it was excluding). Another participant explained that the first alternative had her authorities' preference because it was positive about what the Arrangement covered, as opposed to listing what it does not cover. However, she wondered whether a problem existed. It was the view of her country's Customs authorities that the reference at six digit level to the HS item 0210.20 should technically exclude edible flours and meals of beef, or meat offals. In their view, these should be classified under HS 0210.90. Regarding HS 1602.50, her authorities were unclear as to whether bovine blood preparations would be classified under this item or under HS 1602.90. Furthermore, she wondered what was the status of item HS 1602.10 "homogenized preparations". She noted that as far as beef was concerned, this item was sourced from the previous nomenclature CCCN 16.02. The secretariat said that, in its understanding, the concordances as presented in the paper were those established by the Custom Co-operation Council in Brussels. Whether some other products should be covered by one

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Note: The products in square brackets are not covered by the Arrangement.
or another position was a problem to be further looked at. As far as "homogenized preparations" were concerned, they did not seem to be covered by the Arrangement.

6. Another participant said that in his view the IMC should adopt the Harmonized System nomenclature such as it is. In other words, that even the products which in the second alternative appeared in square brackets, in the HS position 0210.20, should be covered by the Arrangement. On the other hand, it was his opinion that "blood" could be considered as an offal and that consequently, the square brackets in the HS position 1602.50 could be dropped. One delegate replied that, in her view, the Harmonized System nomenclature should, as far as possible, be applied without changing the product coverage of the Arrangement. One suggestion was in favour of the adoption of the secretariat's first alternative completed with a foot-note explaining what the particle "ex" was excluding in each case.

7. It was agreed that this point remain on the agenda for further discussion at the next meeting.

8. The Chairman recalled that, as agreed in the December 1987 IMC meeting, the replies to the statistical questionnaire should no longer be distributed as official GATT documents, but simply photocopied and distributed as working documents in the MMAG meeting room. Those participants also wishing to receive photocopies in the permanent missions should contact the secretariat. He added that, as also agreed in December, the written statements used by participants during the MMAG meeting were available in the IMC room. He asked participants to present, in the future, clearly typed statements in order to avoid interpretation or reading errors.

9. Noting the deception of some participants in relation to the debates in the MMAG meeting, the secretariat suggested that in future meetings of the Group one particular subject be proposed for an in depth discussion at the following meeting. The discussion of the chosen subject would take place during the time available after the usual market analysis. The secretariat suggested that one of the following possible subjects be chosen for debate in the next December meeting of the MMAG: (1) Other meats (production, consumption and trade trends); directly linked to this, subject (2) Cereals and feedgrain prices as well as (3) Beef and veal consumption trends; (4) Beef and veal market compartmentation (necessarily leading to health and sanitary questions); and (5) Current slower cattle herd rebuilding in most countries. Referring to the debates in the IMC, the secretariat noted that policies, especially on the basis of the inventories (IMC/INV/documents) had hardly been discussed in the Council and suggested that these discussions should take place.

10. Mr. Prieto recalled that, in his concluding remarks, the Chairman of the MMAG had indicated that the main reason for the less intense debate in the Group meeting was the improved market situation and outlook. However, he noted that the current market stability was fragile and that an in-depth
analysis of specific subjects (without duplication of work with any other body or organization) would allow a better understanding of the market and hence, a better preparation for possible "harder days".

11. One participant, noted that the fact that the market situation had improved in all countries or regions signatories of the Arrangement, except his own, should not stop participants from looking at the future. He noted that according to the Arrangement itself, participants should "... evaluate the world supply and demand situation and outlook ..." which, in his opinion had not been sufficiently covered in the MMAG meeting. They should also analyse the "... operation of domestic and trade policies ...". After referring to some of the subjects proposed by the secretariat and to measures taken by his authorities aiming at market stabilization, he recalled that one of the major market uncertainties concerned the exchange rate problem. This was the main reason for the recent adjustments of export restitutions in the region he represented.

12. Another participant agreed that it would be helpful to examine more closely the question of competing meats, both for the short- and medium-term outlook. As far as policy issues were concerned, he thought that taking into the account the Uruguay Round of Negotiations, they should be separated out of the debate. However, he agreed that trade policies, as reflected in the inventories, could be examined. Noting that these discussions should take place in the IMC, he expressed his concerns about the animal feeds issue. In his opinion, difficulties in this area were in some cases, such as the EC, due to high administered prices for wheat, facing competition from products whose prices were determined by market forces. He also remarked that the health and sanitary measures were issues that would primarily be picked up in the Uruguay Round context.

13. One participant said that the MMAG could positively use inputs from other organizations (such as the OECD) and suggested that (1) the use of hormones and antibiotics and genetic aspects of animal husbandry and (2) animal protection, be added to the list of possible subjects for discussion. These discussions should take into account the variations between different countries in these practices and their influence on trade. One delegate warned the IMC on the risks of work duplication with other groups on issues such as subsidies or health and sanitary measures. He welcomed a further examination of the relationship between competing meats; consumption; cereals and feed grains, etc., but stressed the need for a clear separation between the work of both the IMC and the MMAG and that of other organizations. A number of participants shared the view that overlapping with the work of other organizations or GATT bodies (such as the Committee on Technical Barriers to Trade, in the case of hormones) or Negotiating Groups or Sub-Groups should be avoided. It was also noted that the presence of more experts from capitals in the MMAG meetings was a prerequisite for improved work there.

14. The Chairman said that he could only agree with the need to avoid work duplication. On health and sanitary measures, he referred to some of the bodies and/or organizations working in this area, and mentioned the
possible creation of a technical group on these issues within the framework of the Negotiating Group on Agriculture. However, he thought that the MMAG or the IMC could talk about these issues. In his opinion, these talks could aim to define the influences and problems that these factors have in international meat markets and to inform negotiators of these facts. Furthermore, he recalled that the Arrangement also covered live animals which left participants with a large choice of subjects. Summarizing, he proposed the following subject for an in-depth discussion, under a separate agenda item at the next December MMAG meeting:

"Competition from other meats and effects of cereals and feedgrains production and prices on the competing position of such meats in relation to bovine meat."

15. The Group agreed with the Chairman's proposal, as well as with providing the necessary information to the secretariat for the publication of a base document on the subject.

Replies to the inventory parts of the questionnaire

16. Participants were reminded of the inventory revision due every three years. Bulgaria and Brazil were the only two countries not having revised their inventories accordingly and Egypt, Guatemala and Nigeria had never replied to it. Participants were also reminded that they were required to notify changes in their policies and measures as soon as these occur and, in any case, once a year in June. Australia, Colombia, Finland, Hungary, Japan, Norway, South Africa, Switzerland, Uruguay and Yugoslavia, had revised their inventories since the last December meeting. The Chairman recalled that according to Rule 18 of the Rules of Procedure, the next submission of complete revisions of the inventories was due before the next June 1989 meeting.

Evaluation of the market situation and outlook

17. To assist the discussion under this item, the IMC had the following documents at its disposal: "Situation and Outlook in the International Meat Markets" (IMC/W/65; IMC/W/65/Corr.1 and IMC/W/65/Add.1); the "Summary Tables" (IMC/W/2/Rev.16); photocopies of the replies to the statistical questionnaire, as well as a number of statistical tables and graphs presented in a "working paper" No.1.

(i) The new Chairman of the MMAG, Mr. Peter Balas, made the following report to the IMC:

"In spite of the fact that last Monday's meeting was perhaps shorter than usual, this does not mean, in my view, that the meat market situation and outlook was not adequately addressed. As I noted in my concluding remarks on Monday, probably one of the major reasons underlining a shorter meeting is the fact that the beef and veal market situation has improved markedly over the last one and a half years, and that prospects for the
near term, at least, are for the continuation of better times. As we all know, Mr. Chairman, when "winds are favourable" there are fewer discussions among the "crew". This being said, grey areas remain and I have tried not to lose sight of them in this report.

Beginning with the international economic environment, Mr. Chairman, I would note that in spite of relatively good growth prospects in both industrial and developing countries, and of a general tendency for lower unemployment rates, we heard that fears exist in some countries of a rise in inflation rates, while the negative impact of continuing high interest rates on beef production has been referred to by a number of participants. It is also worth noting that the exchange rate fluctuations continue to exert a major influence on the bovine meat market. We heard, for instance, that while the decline in the United States dollar has been beneficial to certain beef exporting countries (especially those in Oceania and South America) and stimulated demand in some importing ones (like Japan), in other areas, such as the European Community, the strong falls in beef market prices, which have occurred over the last few months, are directly related to the drop in imported feedgrain prices, provoked among others by the dollar depreciation. To finish this brief introduction about the economic environment, Mr. Chairman, I would like to recall that in the last December meeting we had concluded with two uncertainties. One was the fear of the impact of the last October stock exchange crisis on general consumption levels, including the consumption of beef and veal. The other uncertainty was the impact of this crisis on economic growth expectations. In both cases, it appears that the impact of the crisis may have been less significant than initially feared and even in cases where some slowdown in consumption occurred (as in the United States), it is believed that it will be compensated for by higher exports and investments. Mr. Chairman, although I believe this picture is somewhat brighter than the one we had at the end of 1987, it is my feeling that some caution is needed. As I indicated, there are risks of a resurgence of inflation in a number of industrial countries and the continuation of high inflation in some developing countries, while economic growth, although stronger than expected, remains, in general, modest. In other words, the economic environment remains fragile.

Turning now to the bovine meat sector, Mr. Chairman, I would first of all note that in contrast to the previous three to four years I sensed, among most participants, a certain optimism, not only in relation to 1987 - which in the last December meeting seemed to be shared by only some participants, maybe because final results for the year were not yet available in a number of cases and also because the effect of the return to a more normal situation in Brazil was not clear yet at the time - but also, and especially in relation to the current situation. No doubt, the present optimism has its roots in recovered prices for bovine meat both in the international markets (especially in the foot and mouth disease-free area) and in most domestic markets. Even in the case of countries or regions where domestic prices remain depressed, such as, we were told, in the European Community, the perspectives are for the recovery of prices in the months to come.
This price recovery seems to be due to the conjunction of the following major factors:

(1) Liquidation has come to an end in some countries, while cattle herd rebuilding is well on its way in others.

(2) Overall production levels are declining.

(3) Import demand has strengthened (even if consumption is falling).

(4) There are low export availabilities in some major exporting areas.

If you will allow me, Mr. Chairman, I will go through these factors in some detail.

(1) After years of declining cattle numbers, most participating countries are now well into their herd rebuilding phase or are at the end of the liquidation one. It appears from the different participants' statements and statistics, that in 1986 and 1987, cattle numbers were down in at least fifteen countries, parties to this Arrangement. Information on slaughter levels for the current year suggests rising numbers in about five of these countries, and a trend towards the continuation of herd rebuilding in most other countries for 1989. In the United States, where cattle numbers fell by 3 per cent last year, there is now evidence that the cattle liquidation phase is ending and a stabilization of cattle numbers should occur by 1989, while in the European Community cattle numbers are expected to fall by 1.2 per cent this year, after a 3.2 per cent drop in 1987. This, we heard, is due to the strong breeding cattle liquidation, especially dairy cattle, brought about by tightened dairy quotas. However, it is expected that cattle slaughter will decrease by 5 per cent this year, and a further fall is projected for 1989. Finally, Mr. Chairman, the Group was informed by the FAO observer that cattle numbers in the USSR have recently been falling.

(2) Reflecting the end of cattle herd liquidation and/or herd rebuilding, the overall supply of bovine meat can only be reduced. Production is consequently down in North America, in the European Community, in Argentina, New Zealand, slightly higher in Australia, reflecting strong import demand in its major markets (Japan and particularly the United States), but expected to fall next year as a result of lower slaughterings. Among other countries, which also reported downward trends in production, I would mention Finland, Sweden, Switzerland, Hungary and Poland. Major exceptions to this declining trend in production are Brazil and Uruguay. After two very difficult years, the Brazilian meat market seems to have returned to a more normal and stable situation and as a result of a 6 per cent rise in slaughter, production is expected to increase by some 2 per cent. In Uruguay, bovine meat output should rise along with higher slaughter levels, but cattle herd rebuilding is expected to continue. Production rises were also reported in South Africa. The Group was also told that in the USSR, total meat production during the first four months of the year is estimated to have risen by 2 per cent (no data are available for the different types of meat).
If I had to summarize the picture from the supply side, Mr. Chairman, I would be tempted to say that the days are gone when good news in any sector meant production rises. Good news now in the beef sector mean the opposite, i.e. a falling production. According to the secretariat estimates, this fall (some 1 per cent last year) could reach close to 3 per cent this year for the participating countries in our Arrangement.

(3) "Good news" never comes alone. It is often accompanied by "bad news", and here, the "bad news" is the consumption trends for beef and veal. We were told that beef and veal intake (total and/or per capita) is falling in the United States, Canada, Argentina, Australia, New Zealand, Brazil, Poland, South Africa and Sweden. It seems to be stagnating in Hungary and Finland and, according to available data, also in Yugoslavia. In the European Community, after two years of declining figures, consumption is picking up somewhat along with the general economic recovery, an improvement expected to continue next year. One of the few countries where beef and veal consumption has been rising without interruption in the last few years is Japan. The Japanese representative told us that this is due to the stable beef price level, and informed the Group that the consumption rise last year was of 7 per cent. Other countries announcing consumption rises were Switzerland and Uruguay, while in the USSR, consumption growth seems to be limited by the relatively slow production rise. Of course, reasons for the decline in bovine meat consumption vary among countries. In some cases, it is directly linked to production drops, in others to the level of exports, but no doubt, Mr. Chairman, stiff competition from other meats (and especially pigmeat and poultry meat) comes almost like a "leitmotiv" for most countries. Indeed, a large number of participants referred to a rise in both production and consumption of these meats. The increase in consumption levels seems to more or less parallel the drop in beef and veal intake. This phenomenon is, at least partly, due to the lower relative price of those meats, the large availabilities of which are provoked by low feedgrain prices. Besides, some changes in consumer preferences, such as health considerations related to the consumption of red meats, also might have a certain effect. This is a situation which has now been prevailing for two or three years. As a matter of fact, some participants seem to feel that, if any improvement in the bovine meat intake is to occur, this is probably dependent on the rise of feedgrain prices. Maybe this is one aspect which should be examined more in depth in the next MMAG meeting, especially in the light of the perspective of higher feedgrain prices announced, for instance, by the Australian representative. I would note however that production of both pigmeat and poultry meat is still expected to rise further this year in most countries.

(4) Despite the declining trends of consumption, Mr. Chairman, and as was the case last year, the expected 3 per cent decline in the overall output of participating countries this year can only result in an increased demand for imported beef. In North America beef imports by the United States were the highest last year since 1979, and a further 1.4 per cent rise is expected for 1988. The Group was informed that imports under the United States Meat Import Law, this year, should remain under the trigger level
(set at 691,735 tons, product weight). Canadian imports rose by 22 per cent in 1987, and should remain stable this year. In both countries the rise in imports is due to the decline in production. As I already indicated, one of the only countries where consumption has been steadily rising in the last few years is Japan. As a result, beef imports have been increasing accordingly. We heard that in the fiscal year 1987 the import quota was increased by 46,000 tons and that, in the perspective of the constant demand rise, this quota for the first half of the fiscal year 1988, was increased again. As far as Brazil is concerned, we were told that imports should be restricted this year to purchases under regional agreements and be limited to some 100,000 tons, a 36 per cent drop compared to last year. European Community imports are largely carried through special import arrangements. They increased slightly last year (1 per cent) and should increase by some 4 per cent in 1988 and stabilize afterwards. It is believed that there is scope for higher imports in the USSR (in a period of slower growth in production) but foreign exchange constraints remain a significant problem there. Finally, Mr. Chairman, and before turning to the export side, we heard the opinion that a more dynamic expansion of the world meat economy (and I refer here to total meat) is not likely unless the purchasing power of consumers in the developing countries improves dramatically, a development not likely to come about very soon. As I indicated, production is falling also in a significant number of exporting countries, resulting in lower export availabilities. In addition, it appears that, in some cases, export rises coincide with a decline in consumption. This seems to be partly the case for Australia, which as you know, recovered its place of first world exporter of bovine meat last year. Although production is expected to be slightly up this year (+0.5 per cent) consumption is projected to fall by 2 per cent, thus allowing sufficient export availabilities to respond to the increased demand in the United States, in particular. Talking about exports by Australia, Mr. Chairman, brings me back to some of my introductory remarks about general economic factors affecting the bovine meat sector. According to the Australian representative, the level of exports for 1989 depends, inter alia, on the exchange rate for the Australian dollar against the US dollar. In fact, one of the factors which contributed to a good export performance by Australia to the United States during the first half of the year, has been a favourable Australian/US dollar exchange rate. Among the other major exporters we heard that EC exports fell last year. Although this was not stated, Mr. Chairman, it appears that the absence of large sales to countries such as Brazil and the USSR, as noted in the secretariat report, largely explain this drop. As a result, the EC stock levels remained high. We were told by the EC representative that, for this reason, some changes in the intervention purchase price system were introduced (these changes are referred to in detail in the EC written statement now available in this room). Export volumes fell by as much as 50 per cent last year in Uruguay, which forecasts a 24 per cent recovery this year. A close to 12 per cent drop in exports was also registered last year in Canada, as a result of lower supply levels, and a further drop is projected for 1988. Meanwhile, the United States sales abroad went up strongly last year reflecting, we were told, the continued strength of the yen and shortages of high-quality beef in Japan. The rise in 1987 exports
also reflected continued exports mandated under the Food Security Act of 1985 to lessen the effects on the United States domestic producers of the Dairy Termination Program. In the current year, United States exports are likely to decline. Finally, New Zealand beef exports were down by 10 per cent in the season 1987/88. According to the New Zealand representative, this fall can be explained by the slaughter of stock carried over as a result of the 1986 meat workers' strike. Beef exports in 1988/89 are forecast to fall again, reflecting lower production levels.

Mr. Chairman, like my predecessor, I will not try to summarize the main points I picked up in this report. I would nevertheless like to draw the IMC's attention to two issues which seem to me of utmost importance for our debates. One is the situation and outlook of other meats. Developments there seem fundamental for a better understanding of the bovine meat sector and it is my feeling that, in spite of the fact that some countries gave some information on the subject, there was no debate on it. Another one, which is directly linked to this, and one that I have already mentioned briefly, is the question of feedgrain prices. A discussion, as in depth as feasible, on these issues might be useful for our work. Also, I could not finish my report without referring to remarks made by the OECD representative when he stressed the impact of other sectors' policy changes on the bovine meat sector.

In fact, in the opinion of certain participants, policy measures and changes within the bovine meat sector itself also have a major impact on the sector. We heard, for instance, the United States representative mention the fact that "substantially increased United States beef exports to Japan will depend on the outcome of bilateral negotiation efforts and the pending GATT case challenging the Japanese beef quotas and marketing system"; we also heard the Australian representative state, "Korea is not expected to resume importing significant quantities of beef in the coming months and any change will depend on results of United States/Australian GATT action against Korea" and also, in referring to sales to Canada, (quote) "that the situation for 1988 and beyond will depend on Canadian Government decisions on the findings of the GATT Panel report on Canadian countervailing duties action against imports of subsidized manufacturing beef from the EC".

In conclusion, Mr. Chairman, I would like to echo again the OECD observer who stated that "the improvement of the bovine meat market will remain fragile as long as it is submitted to numerous restrictions to trade, based on excessive support policies to agriculture". It seems to me that the ongoing Uruguay Round of Negotiations is the best opportunity we have to address these problems. I hope that this opportunity will not be missed.

I would like to warmly thank all of the participants of the MMAG meeting and in particular those observers from the FAO, OECD and UNCTAD for their valuable contribution to our work.
18. One participant said that market stabilization policies pursued by the European Community had created the massive distortions which still threatened the international meat markets. It was her authorities' view that countries maintaining support policies and programmes might well have stabilized prices on domestic markets, although at very high levels, but had consequently transferred the adjustment problems to a fragile international market, intensifying price fluctuations there. The existence of intervention stocks and of exporting subsidies had certainly not helped to stabilize the international market. In fact, they had retained a constant potential to depress world prices and to prevent fair competition on international meat markets on the basis of comparative advantage. Moves to reform government policies, further news of falls in production, improved prices and demand improvements in major importing areas, represented developments very much to be encouraged. In her opinion, the price recovery in the international beef markets was due to the tightening of supplies, rather than to the large sales to Brazil in the third quarter 1986. Indeed these subsidized sales had precluded other traders from taking hold of the market opportunities provided there, not only on beef but also on sheepmeat. She said that the fragility of the situation and medium-term outlook of the international meat markets would continue, while trade environment remained fundamentally distorted by artificial government support of production and the maintenance of high domestic prices. These necessitated exports, which could only be achieved through the use of export subsidies, to dispose of the surpluses generated. This two-price system could only be maintained by the application of border measures, more or less restrictive on imports, in order to protect levels of targeted domestic prices. Thus, while production in the EC appeared to be falling, there was still a considerable amount of product going into intervention, which would most likely find its way out onto the world markets. Indeed, consumption levels in the Community suggested that they were unlikely to be absorbed in the domestic market. The consequences of these support policies had also been a continuing maintenance of import restrictions in a range of countries. They included the introduction of restraints on exports to the United States in the final part of 1987. She indicated that the pastoral sector in her country was export price led, since most production was exported. Domestic prices within her country reflected world price levels. If international trading conditions and the climate improved, then logically production levels there would increase. The converse was also true: this had happened in the past, and could currently be seen in the sheepmeat sector, faced with significant competition from other meats, including subsidized exports of beef, and very low levels of return in many markets. As a consequence, sheep numbers in her country had declined sharply. In her view, if those participants which maintained high support levels were to act to dismantle those support measures and allow their producers to compete openly on the basis of world market prices, than news of fluctuations in either direction would be normal. However, this was unacceptable when the consistent increases in production and exports (both of beef and more recently of sheep) were due to government-induced incentives. She welcomed moves to ease government intervention and market access, and said her country would continue to preach for more fundamental reform and trade liberalization through the Uruguay Round.
19. Referring to the improved beef market situation, another participant noted that competition from pig and poultry meats was not a new development, but that it posed a challenge for the beef industry to reduce its cost structure. He also noted that the last October crash in stock markets had had no serious repercussions to date, but that the EC beef stocks issue remained a concern. The disposal of those stocks had not yet caused major problems, but he thought that this was especially due to the budgetary pressures in 1987. Following the adoption of the 1988 budget, that situation had changed and the Community carried a great responsibility to ensure that the stock disposal would not disrupt markets. He thought that improvements on the beef market situation would be transitory if fundamental reform was not undertaken and noted that a number of factors could easily swing the market in a different direction: (1) the non-liberalization of the Japanese market; (2) the drought in Canada and the United States; (3) the FMD status in the EC with the move to 1992; (4) the use of hormonal growth promotants, or somatotrophins, in both beef and pigmeat production and (5) the inelasticity of demand for all meats, to be watched in terms of consumer preferences.

Examination of national policies linked to trade in bovine meat and live animals

20. No written questions were received by the secretariat in advance of the meeting. The representative of the European Community said that agricultural reform should be the result of concerted efforts by all the countries participating in the Arrangement. Noting that the Community imported 57 million tons of cereals and feedgrains in 1987, he informed the IMC about recent changes in the CAP. The EC had recently begun a price restrictive policy, freezing institutional prices. The intervention régime was made more flexible: intervention purchase prices had been diminished by 15 per cent in 1987/88, compared to 1986/87. Finally, the system of maximum guaranteed quantities had been introduced in the sheepmeat sector. It had been fixed at 63.4 million head, of which 18.1 million head had been reserved for the United Kingdom. Each one per cent excess of this level would result in a one per cent reduction of the base price used for the calculation of the ewe and goat premiums. Intervention prices and the indicative level used for the calculation of the variable premium were also diminished by the same percentage.

21. Recognizing the Community efforts, the Australian representative expressed the hope that the outcome of the last Brussels meeting would not be eroded in the price proposals, in terms of the green currency devaluations. He expected that the introduction of further changes in the EC beef régime this year (and of the sheepmeat régime) did not seek to shift the burden from the EC to third countries.

22. The Canadian representative said that the Canadian Meat Import Law would be amended, to be brought into line with the provisions of the Act to implement the Free Trade Agreement between Canada and the United States. He said his delegation had a copy of the draft bill (not yet approved by Parliament and still under discussion) which amended the Import Act, and agreed to provide it to the secretariat for distribution to participants.
Date of the next meeting

23. Subject to changes as necessitated by the New Round of Multilateral Trade Negotiations, the IMC decided to hold its next meeting on Friday 16 December 1988, preceded by the meeting of the MMAG on Wednesday 14 and Thursday 15 December 1988.